

FISCAL IMPACT STATEMENT ON BILL NO. **S.1172**

(Doc. No. 6733cm06.doc)

TO:	The Honorable David Thomas, Chairman, Senate Banking and Insurance Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Kenneth Brown		
DATE:	March 8, 2006	SBD:	2006126

AUTHOR:	Senators Land	PRIMARY CODE CITE:	38-77-1210
SUBJECT:	Vehicle Protection Product Act		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:
See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:
See Below

BILL SUMMARY:

The Bill would add Article 12, Chapter 77 to Title 38 enacting the "Vehicle Protection Product Act".

EXPLANATION OF IMPACT:

The Department of Insurance indicates enactment of this Bill would require a one-time expenditure of approximately \$25,000 for information technology programming. The Department's client server company licensing and web-based applications would need to be revised in order to incorporate warranty companies. This non-recurring cost could be covered with other funds if it legislative intent that revenue derived from fees established in section 38-77-1230 (C) are to be retained and expended by the agency. Otherwise the cost would be to the General Fund of the State.

SPECIAL NOTES:

The General Assembly may wish to clarify its intent with regard to Section 38-77-1230(C) which allows the Department to charge a fee of up to \$250 annually for registration and maintaining records, but does not specifically grant the agency authority to retain and expended the fees collected. The Department estimates fifty warranty companies would need to be registered.

Several existing statutes including 38-13-20 (D), 38-77-122 (B) and 38-77-280 (D) allowing the agency to examine insurance entities specifically state that the cost of these exams shall be paid by the insurer, agent, or broker. However, this language does not appear in section 38-77-1300 (A) of the Bill.

The Board of Economic Advisors is the appropriate entity to address the revenue impact associated with this or any other Bill.

Approved by:



Don Addy
Assistant Director, Office of State Budget